

Message Text

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72

ACTION ARA-20

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 AGR-20

SWF-02 PA-04 PRS-01 USIA-15 DRC-01 /139 W

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R 061629Z JUN 74

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 8874

UNCLAS SANTIAGO 3207

EO 11652: N/A

TAGS: ECON, CI, AFSP, ALLOW

SUBJECT: MORE OFFICIAL PRICE INCREASES

REF: SANTIAGO 3128

1. ECONOMIC MINISTER LENIZ ANNOUNCED JUNE 5 THAT GOC MUST REDUCE SUBSIDIES OF SEVERAL BASIC CONSUMPTION ITEMS OWING TO HEAVY ADVERSE IMPACT ON BUDGET. THIS REQUIRES PRICE RISES IN COOKING OIL (90 PERCENT), MILK (100 PERCENT), AND BREAD (79 PERCENT). PRICE OF CIGARETTES ALSO BEING INCREASED (115 PERCENT) DUE TO INCREASED COSTS IMPORTED TOBACCO AND NEED TO READJUST TAXES FOR THIS ITEM.

2. COMMENT. THESE INCREASES WILL HAVE COMBINED IMPACT OF 8.72 POINTS ON CONSUMER PRICE INDEX (CPI), ABOUT 80 PERCENT OF WHICH WILL ENTER JUNE CPI COMPUTATION. WHEN COMBINED WITH PREVIOUS INCREASES (SEE REFTTEL), JUNE CPI RISE WILL BE VERY HIGH. END COMMENT.

3. AS OFFSET THESE INCREASES, LENIZ ANNOUNCED THERE WILL BE PAYMENT OF BONUS 10,000 ESCUDOS PER WORKER FOR MONTH OF JUNE. BONUS WILL BE EFFECTIVE JUNE ONLY, AND WILL BE SUBSUMED IN FUTURE GENERAL READJUSTMENTS, NEXT OF WHICH NOW SCHEDULED FOR JULY.

THOMPSON

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